

NATIONAL BISCUIT
COMPANY

*ANNUAL
REPORT*

YEAR ENDED
DECEMBER 31, 1950



Directors

ROY E. TOMLINSON, Chairman

CHARLES C. AUCHINCLOSS	GEORGE A. MITCHELL
HENRY J. COCHRAN	EDWARD S. MOORE, JR.
GEORGE H. COPPERS	PAUL MOORE
FRANKLIN D'OLIER	ALEXANDER C. NAGLE
ROBERT A. FAIRBAIRN	LIVINGSTON PLATT
DUDLEY W. FIGGIS	RUSSELL M. SHULTZ
ROY C. GASSER	WILLIAM WHITE

Officers

GEORGE H. COPPERS, President

EDWARD S. MOORE, JR., Executive Vice President

LEE S. BICKMORE	Vice President, Sales
THOMAS F. BURKE	Vice President, Bread Department
HOWARD B. CUNNINGHAM	Vice President, Purchasing
HARRY T. EGGERT	Vice President, Personnel Relations
GEORGE A. MITCHELL	Vice President, Finance
RUSSELL M. SHULTZ	Vice President, Operations
HERBERT E. WIGGIN	Vice President, Traffic
FREDERICK F. BRODESSER	General Auditor
ALBERT T. BULLOCK	Secretary and Treasurer
CHARLES S. WEBSTER	Controller

EVERETT W. BARTO	General Counsel
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Transfer Agent: GUARANTY TRUST COMPANY, NEW YORK 15, N. Y.

Registrar: FIRST NATIONAL BANK, NEW YORK 15, N. Y.

The Year in Brief

	<u>1950</u>	<u>1949</u>
Net sales	\$296,408,934	\$294,420,391
Income from operations	39,122,668	36,059,900
Net income	21,110,431	21,676,903
Net income per dollar of sales	7.1 <i>cents</i>	7.4 <i>cents</i>
Net income per share of common stock	3.08	3.17
Dividends declared	14,315,211	14,315,211
Per share of preferred stock	7.00	7.00
Per share of common stock	2.00	2.00
Net income retained in the business	6,795,220	7,361,692
Cost of plant and equipment additions	12,173,039	20,286,951
Current assets	94,604,690	89,624,076
Current liabilities	35,315,184	31,960,010
Working capital	59,289,506	57,664,066

NATIONAL BISCUIT COMPANY

[General Offices]

449 West 14th Street, New York 14, N. Y.

GEORGE H. COPPERS, PRESIDENT



TO OUR STOCKHOLDERS AND EMPLOYEES

THE fifty-third year of Company operations has ended with the country facing a grave emergency.

Fortunately, our Company's program of modernizing and expanding its production facilities places us in an excellent position to achieve and maintain high levels of production, to meet the needs of the Armed Forces and the civilian population as well.

While our plans for the construction of new plants and the rehabilitation of others are not fully completed, they have progressed substantially over the last five years. Despite the uncertainties of these times, we plan to carry forward our modernization program as fast as possible for as long a time as we are able to obtain materials,

supplies, and labor. Our products are needed by both the Armed Forces and the civilian population, so it is our responsibility to modernize our plants to the point where we are able to produce with the utmost efficiency.

The year 1950 was a good year for NABISCO. Sales—in dollars and tonnage—and earnings, were at the high levels achieved during recent years.

The accomplishments realized during 1950 were made possible by the support of our stockholders, whose money paid for the new bakeries and other tools of production; plus the excellent teamwork of Nabisco employees and our retail customers, which enabled us to supply good products and good service to the consuming public.

I sincerely hope that each one of our friends who reads this report covering the year 1950, will have a better understanding



of how our Company functions and of our plans for the future.

Profits

Net profits for 1950 were \$21.1 million compared with \$21.7 million in 1949. After providing for preferred dividends, these profits were equal to \$3.08 per share of common stock in 1950, compared with \$3.17 per share of common stock in 1949.

At the close of 1950 we adopted the last-in, first-out (LIFO) method of computing the cost of certain commodities used in our production. This reduced the profits before taxes for the year by \$1.2 million. After taxes this was equivalent to eight cents per share of common stock. We believe it advisable to adopt the most realistic basis possible in relating current costs to current income.

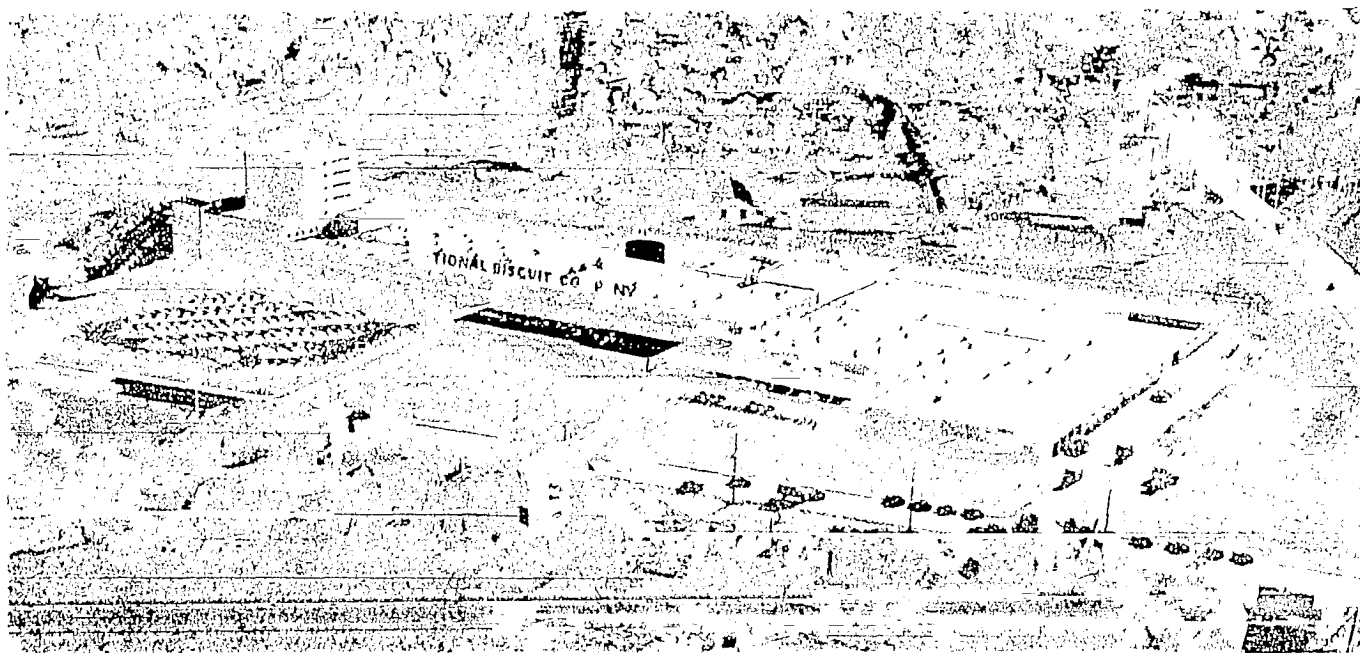
Profits for the year 1950 were affected

also by the rise in Federal income tax rates from 38% to 42%, and by the imposition of an excess profits tax. Had these changes not occurred taxes for 1950 would have been \$2.6 million less, equivalent to 41 cents per share of common stock.

In comparing 1950 results with those of 1949 it should be noted that net profits for 1949 were reduced approximately \$2 million (equivalent to 32 cents per share of common stock) because of the accrual, for the first time, of vacations earned in that year. Therefore, 1949 results reflected the cost of vacation payments made in 1949 as well as vacations earned. This double charge did not occur in 1950.

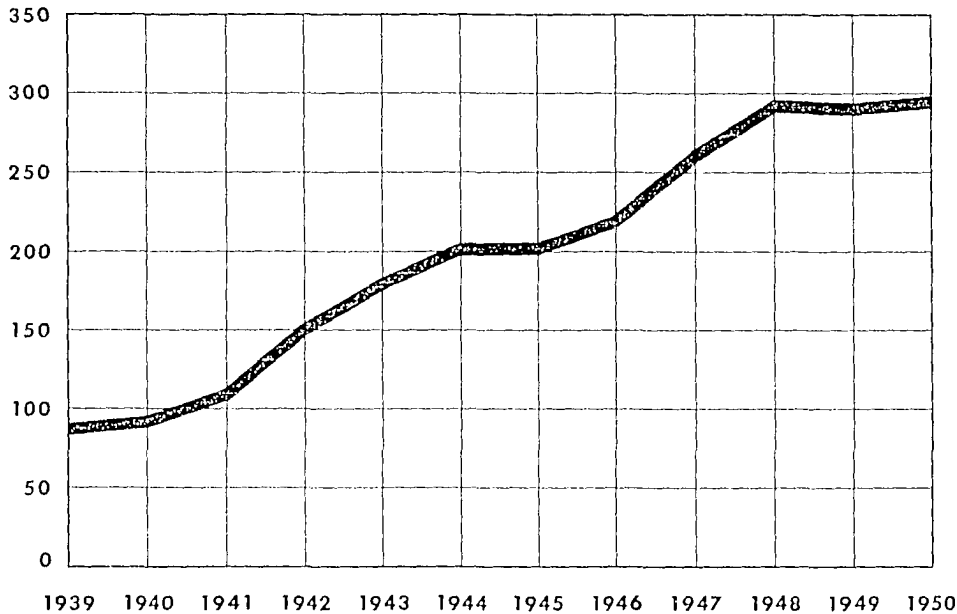
We are continuing our efforts to improve our production and distribution methods in order to attain greater operating efficiency. New technological improvements are being developed. As a result of such improved techniques we hope to maintain

Portland, Oregon, Cracker Bakery — floor space, 429,000 square feet



Comparison of Net Sales

MILLIONS OF DOLLARS



The above information is shown in more detail on pages 30 and 31

prices of Nabisco products at levels that will result in maximum production and improve profit margins.

Sales

Our sales in dollars and tonnage have remained at substantially the same levels for the last three years. Prices of Nabisco products over that period have shown only minor variations, with the trend upward during the last half of 1950. While the costs of some commodities we use have declined

since 1947, the recent trend of commodities has been upward. The costs of labor and almost everything else we buy have continued to rise.

Sales volume for the year 1950 was satisfactorily maintained although results during the first half were disappointing. We attributed this to the heavy demand at that time for durable goods (automobiles, houses, refrigerators, television sets, etc.). The trend was reversed in the last six months of the year when our sales showed a definite improvement.



Net Sales by Quarters in Millions of Dollars

	1950	1949	1948
March	\$72.7	\$75.6	\$72.5
June	71.8	74.8	72.5
September	72.9	72.9	72.5
December	79.0	71.1	78.8
Total	\$296.4	\$294.4	\$296.3

The encouraging sales trend in the last half of the year 1950 is expected to continue, and we anticipate that 1951 will show a further expansion in our sales volume.

Financial Position

Our working capital at the end of 1950 was \$59.3 million, an increase of \$1.6 million

as compared with 1949. The Company's financial position continued strong.

As mentioned in previous Annual Reports, it is necessary that we maintain substantial liquid assets to pay for our continuing program of plant expansion and modernization. Since 1946 we have spent \$56.2 million for new plants and equipment. A substantial amount is still to be spent in the next five years, provided world conditions do not slow down or stop the progress of the program.

Our plants, real estate, machinery and equipment account (net) increased \$4.6 million during 1950. This includes new plants as well as replacement of, and additions to, equipment in existing plants, as detailed later in this report.

Inventories of raw materials and supplies were higher at the close of 1950 than at

CHANGES IN CONSOLIDATED WORKING CAPITAL

(All amounts are expressed in thousands of dollars)

	1950	1949	1948	1947	1946
RECEIVED FROM:					
Sales of product	\$296,409	\$294,420	\$296,250	\$263,894	\$220,195
Interest and miscellaneous income (net)	402	371	1,675	327	2,818
	<u>\$296,811</u>	<u>\$294,791</u>	<u>\$297,925</u>	<u>\$264,221</u>	<u>\$223,013</u>
USED FOR:					
All purposes except plant:					
Operating costs and expenses . . .	\$244,881	\$247,795	\$252,544	\$217,615	\$183,996
Taxes	24,326	19,681	18,439	19,874	15,739
Dividends	14,315	14,315	14,315	14,315	9,283
Other (net)	509	1,383	263	45	24
	<u>\$283,013</u>	<u>\$280,408</u>	<u>\$285,561</u>	<u>\$251,849</u>	<u>\$208,994</u>
Excess funds provided	\$ 13,798	\$ 14,383	\$ 12,364	\$ 12,372	\$ 14,019
Used for plant and equipment . . .	12,173	20,287	16,792	6,964	3,369
Increase or decrease in working capital .	<u>\$ 1,625</u>	<u>\$ 5,904</u>	<u>\$ 4,428</u>	<u>\$ 5,408</u>	<u>\$ 10,650</u>

the close of 1949. This was due almost entirely to higher costs for raw materials and supplies.

"Notes payable to banks (foreign)" represents funds borrowed in Canada to finance the new bakery of our subsidiary, Christie, Brown and Company, Limited, and also represents funds borrowed from Caracas, Venezuela, banks to finance the larger part of the cost of purchasing a majority stock interest in a local bakery acquired during the year. This is referred to later in this report in the section dealing with foreign operations.

It was deemed advisable in each case to borrow funds locally and repay the loans with cash realized from future earnings in those countries, rather than transfer funds from National Biscuit Company. Our Company has deposited with the New York agency of the Canadian bank, United States Government securities in sufficient amount to guarantee repayment of the loan by our Canadian subsidiary.

Taxes

Taxes for the year 1950 cost \$723 per employee, or \$3.46 per share of common stock. For each dollar of revenue we received, we paid out 7.3 cents in taxes. Our tax bill for the year was \$21.8 million, a substantial charge against income. These amounts do not include the cost of social security taxes.

We realize that in a time of great emergency, such as the present, taxes must be high. Necessary Federal expenditures should be financed in so far as possible on a pay-as-

you-go basis and not added to our already enormous national debt.

It is our hope that taxes needed to pay for the country's defense program will be levied equitably among the various groups of taxpayers.

Long Dividend Record Maintained

During 1950, National Biscuit Company declared four regular quarterly dividends of 50 cents per share on the common stock, a total of \$2.00 for the year. This represented 65% of the Company's 1950 net earnings per share of common stock. During the five years from 1946 to 1950, inclusive, the Company declared as dividends on common stock 58% of the net profits earned on common stock during that period.

Also during the year 1950, dividends of \$1,736,315 were paid to the holders of our 7% cumulative, noncallable preferred stock.

Thus the unbroken dividend record of our Company extending for over fifty years was maintained.

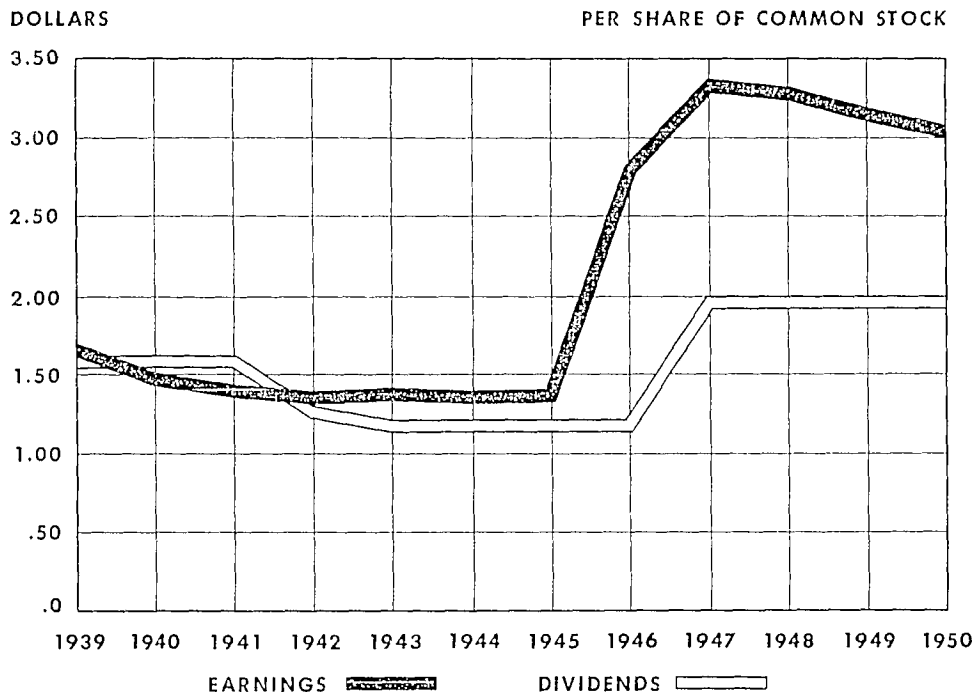
The book value of common stock at the close of the year 1950 was \$123.3 million, an increase of \$6.8 million over 1949, and an increase of \$45 million since 1939.

The retention and use of part of current earnings to strengthen our position are in the best interest of stockholders. We are continuing our policy of maintaining the physical plant and finances of the Company in a sound position.

Expenditures for new plants and equipment continued at substantial levels during



Comparison of Earnings and Dividends



The above information is shown in more detail on pages 30 and 31

the year, the gross total being \$12.2 million. The excess of earnings over dividend requirements in 1950 (\$6.8 million), plus depreciation provisions of \$6.4 million, was more than the amount expended for capital improvements during the year. Therefore we increased our working capital this year and we are in good position to pay for future plant modernization.

The expenditures for new plants and equipment are fortifying our position within the industry, and should create and maintain jobs, at the same time making for in-

creased production and profits in the years ahead.

Product Research and Development

Continued effort is being put forth by our research and marketing people to develop new products, and to improve the quality and packaging of all Nabisco varieties.

Packaging is very important in maintaining the oven freshness of our products until they are consumed. A group in our Research Laboratory are continuously en-

gaged in testing different types of packaging materials, under simulated climatic conditions of all kinds, to find out which ones give maximum protection to the products in all sections of the country, at all times of the year. The results of this research are being reflected in a steady improvement in the packaging of our products.

Among the many new varieties marketed by NABISCO during 1950 the following are proving to be especially popular:

NABISCO CHOCOLATE CREAM PATTIES

PREMIUM SALTINE CRACKERS

(Individual service packages for restaurants)

OREO CREME SANDWICH

(Visible in tray packages)

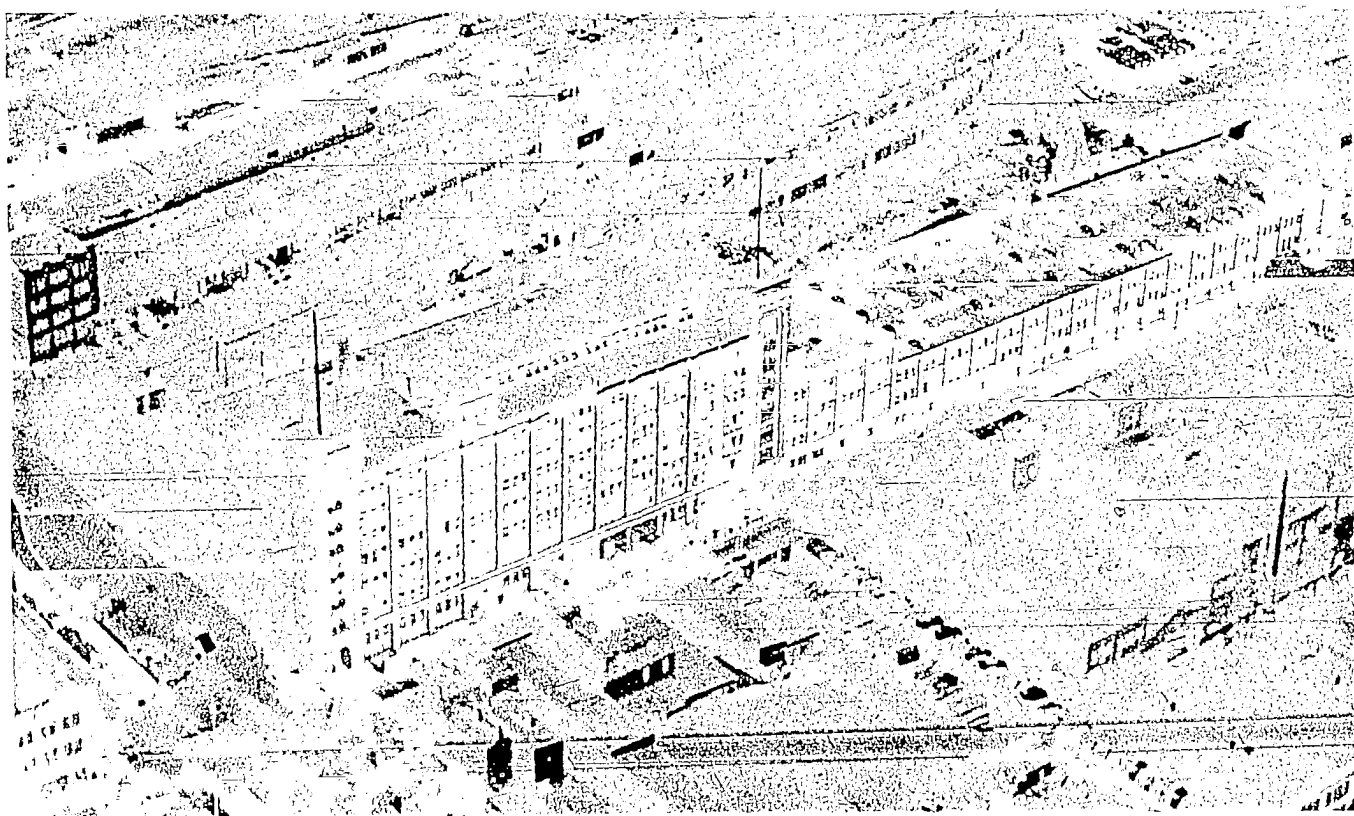
TRIANGLE THINS

We consider it most important to develop new products to meet changing tastes and the consumer's desire for variety. Our ability and that of other food processors to create new products acceptable to consumers increases the use of farm products. This is one of the important needs of the present economy.

Plant Modernization

Early in 1947, ground was broken for a modern cracker bakery at Houston, Texas. Since that time we have spent \$56.2 million for plant modernization, of which \$12.2 million was spent in 1950. A list of the new plants which have been constructed, purchased or modernized, is shown on the following page.

Pittsburgh, Pennsylvania, Cracker and Bread Bakery — floor space, 517,000 square feet

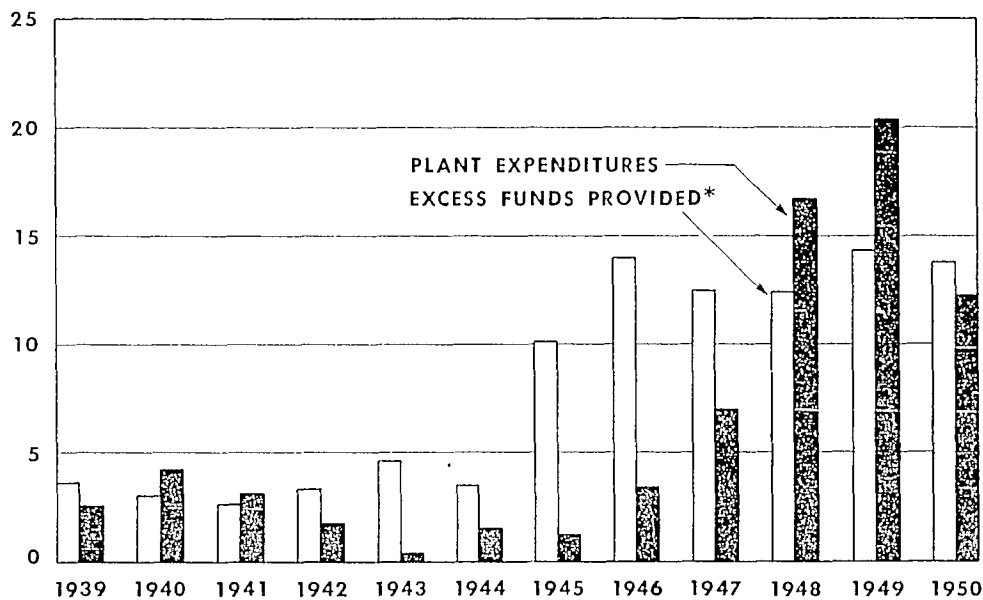


HOUSTON, TEX.	<i>Cracker Bakery</i>	NEW YORK, N.Y.	<i>Pretzel Bakery</i>
PITTSBURGH, PA.	<i>Cracker Bakery</i>	YORK, PA.	<i>Potato Chip Plant</i>
PORTLAND, ORE.	<i>Cracker Bakery</i>	NEW YORK, N.Y.	<i>Research Laboratory</i>
ST. LOUIS, MO.	<i>Cracker Bakery</i>	TOLEDO, OHIO	
TORONTO, ONT., CAN.	<i>Cracker Bakery</i>		<i>Additional Wheat Storage Tanks and Wheat Cleaning Plant</i>
CLEVELAND, OHIO	<i>Bread Bakery</i>	NIAGARA FALLS, N.Y.	
ELMIRA, N.Y.	<i>Bread Bakery</i>		<i>Additional Triscuit Wafers Unit</i>
MONTREAL, QUE., CAN.	<i>Bread Bakery</i>		
PLATTSBURG, N.Y.	<i>Bread Bakery</i>		
WELLAND, ONT., CAN.	<i>Bread Bakery</i>		

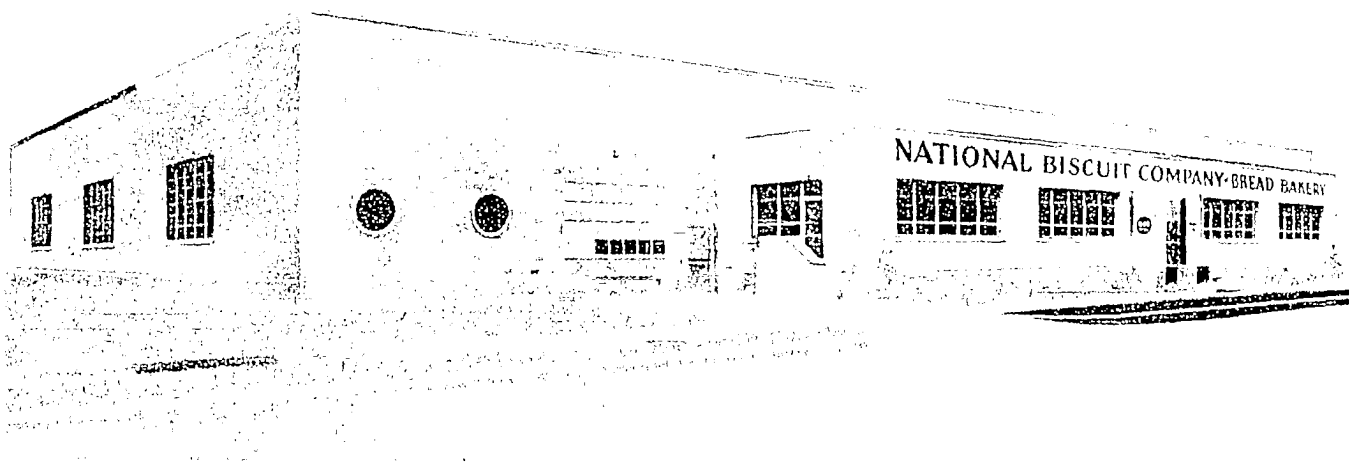
The new bread bakery at Rochester, New York, and the addition to our bread bakery at Newburgh, New York, are ex-

Excess Funds Provided—Plant Expenditures

MILLIONS OF DOLLARS



*Excess funds provided represent net increase in working capital before deducting plant expenditures (see table on page 6)



Elmira, New York, Bread Bakery

pected to be completed early in the spring of 1951.

In October 1950, we started construction of a modern cracker bakery in Chicago, Illinois. This will be the largest of our new band oven bakeries and is expected to be in production by the end of 1952.

We have also been modernizing many of our 231 distributing branches which are strategically located across the country. The branches being modernized were too small for efficient handling of our post-war sales volume.

It has never been our policy to own distributing branch properties. They are usually leased from local individuals. In recent years the difficulty of procuring buildings of a suitable type has caused us in a few instances to build what we needed and then enter into a sale and lease-back arrangement with an insurance company.

It is our policy, however, to own our manufacturing plants.

The continued modernization of our plants has proved timely and is now resulting in many operating economies. Our Mechanical Development Division continues to be actively engaged on a number of projects which we expect will further improve our operating efficiency.

Our employees will have the most modern tools and equipment to work with. Thus we hope to supply even better products at prices attractive to the consuming public. In this manner only can we maintain job security for our employees and profit security for our stockholders.

Foreign Operations

Through 1950 our foreign operations were confined to Canada and England.

In December 1950, the Company purchased a controlling interest in Compañía Nacional Anónima de Galletas y Pastas "La Favorita," a biscuit and cracker company in Caracas, Venezuela. This company has a modern band oven bakery, built within the last two years. We hope, by introducing many of our well known brands of Nabisco products, to expand the operations of this company substantially.

We are also considering building and operating a modern cracker bakery at São Paulo, Brazil.

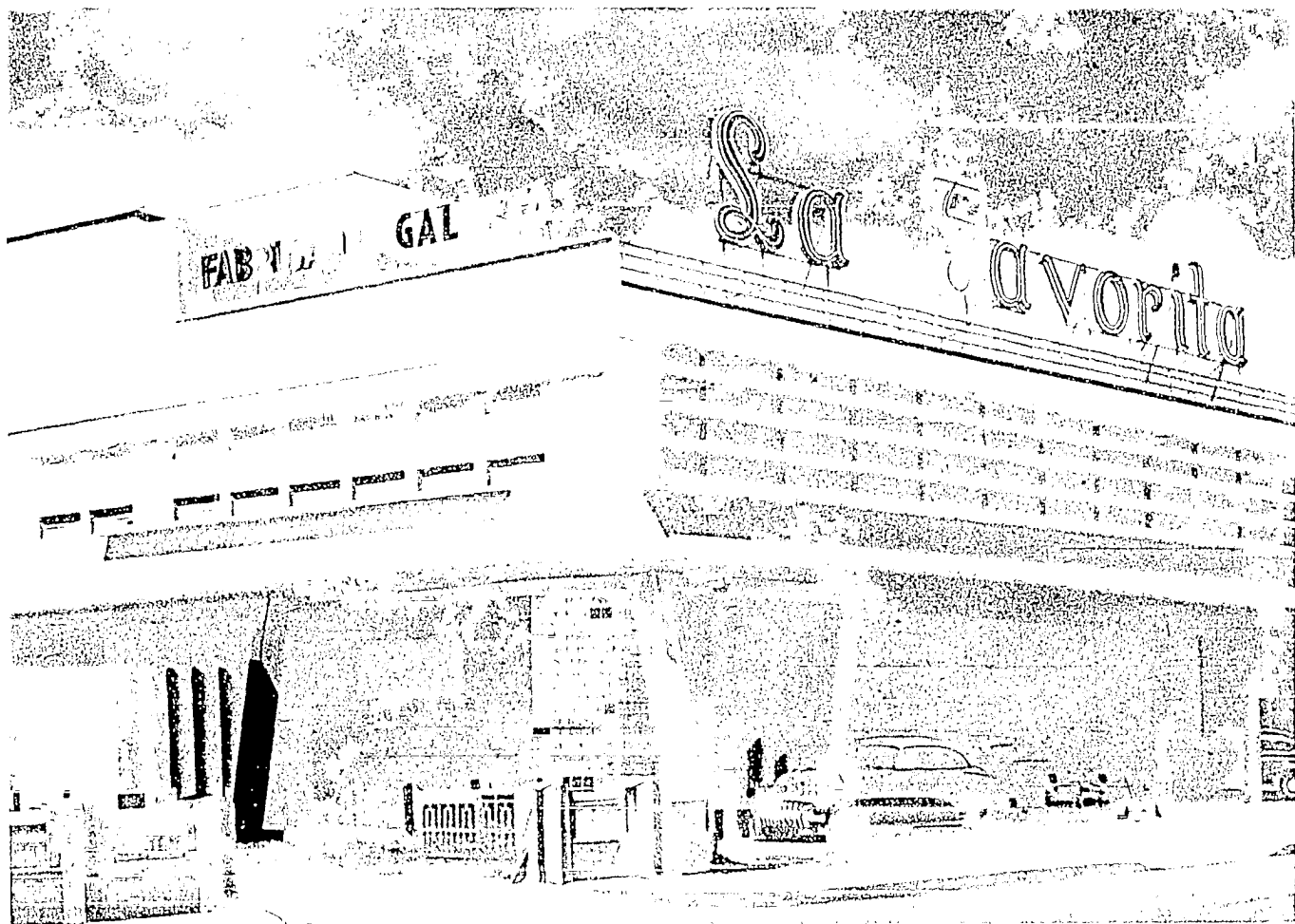
We know our products are acceptable to

the public in these South American countries. In years past we sold a substantial volume of our products in these countries but in recent years exchange restrictions and tariffs have made it impossible to export any large volume from this country to those areas. By manufacturing our products locally in South America, we can serve those markets better and thus increase sales volume and profits.

Operations of our one English and three Canadian subsidiaries are proceeding satisfactorily.

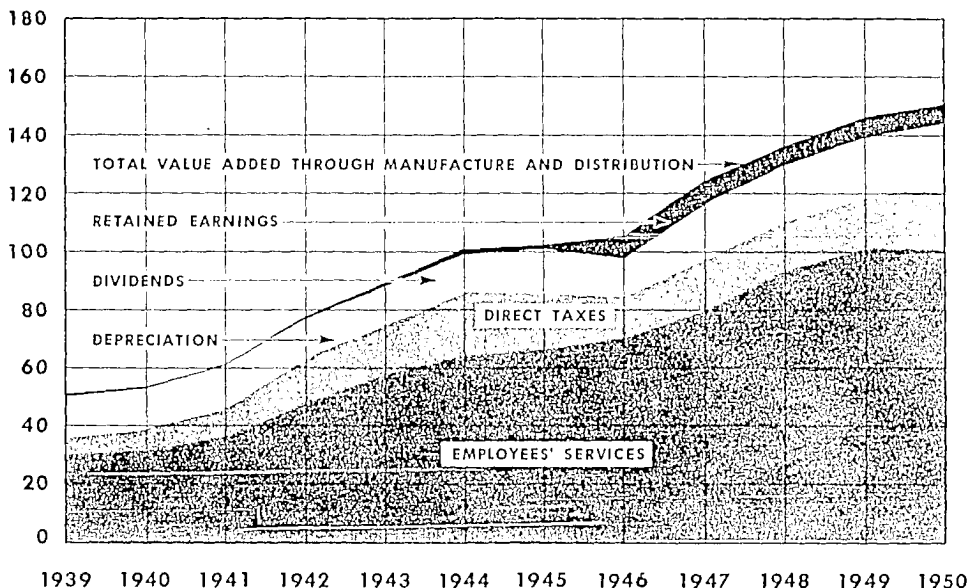
The new Christic, Brown bakery outside

"La Favorita" Cracker Bakery, Caracas, Venezuela



Value Added by Nabisco to Materials, Supplies, and Services Bought from Others

MILLIONS OF DOLLARS



of Toronto, which was completed in 1949, has been in full production throughout most of the year 1950 and is proving a highly satisfactory addition to their production facilities.

Christie's Bread, Limited, another Canadian subsidiary, is planning to start construction of a new bread bakery early in the summer of 1951. It will be built on land adjacent to Christie's new cracker bakery. This bread bakery is needed because we have outgrown the production capacity possible in the old King Street cracker bakery in Toronto, where our bread for that

area is produced. It is expected that the new bread bakery will be in operation by the end of 1952 and the plan is to sell our King Street properties at that time.

NABISCO Is People

National Biscuit Company, like all corporations, is basically people. Stockholders—Employees—Management—Retailers—Suppliers—Consumers—all are essential to the success of our enterprise. No one group could perform properly without the co-operation of all the other groups. When all

members are working together successfully as a team, each member contributes and benefits accordingly.

EMPLOYEES:

Realizing the importance to the Company of the people who work for it, one of our major objectives has been to build up a personnel of high caliber. This has been attempted through careful selection, placement and training. That the attempt has been successful in large measure is evidenced by the improvement in efficiency and the cooperative spirit which prevail throughout the organization.

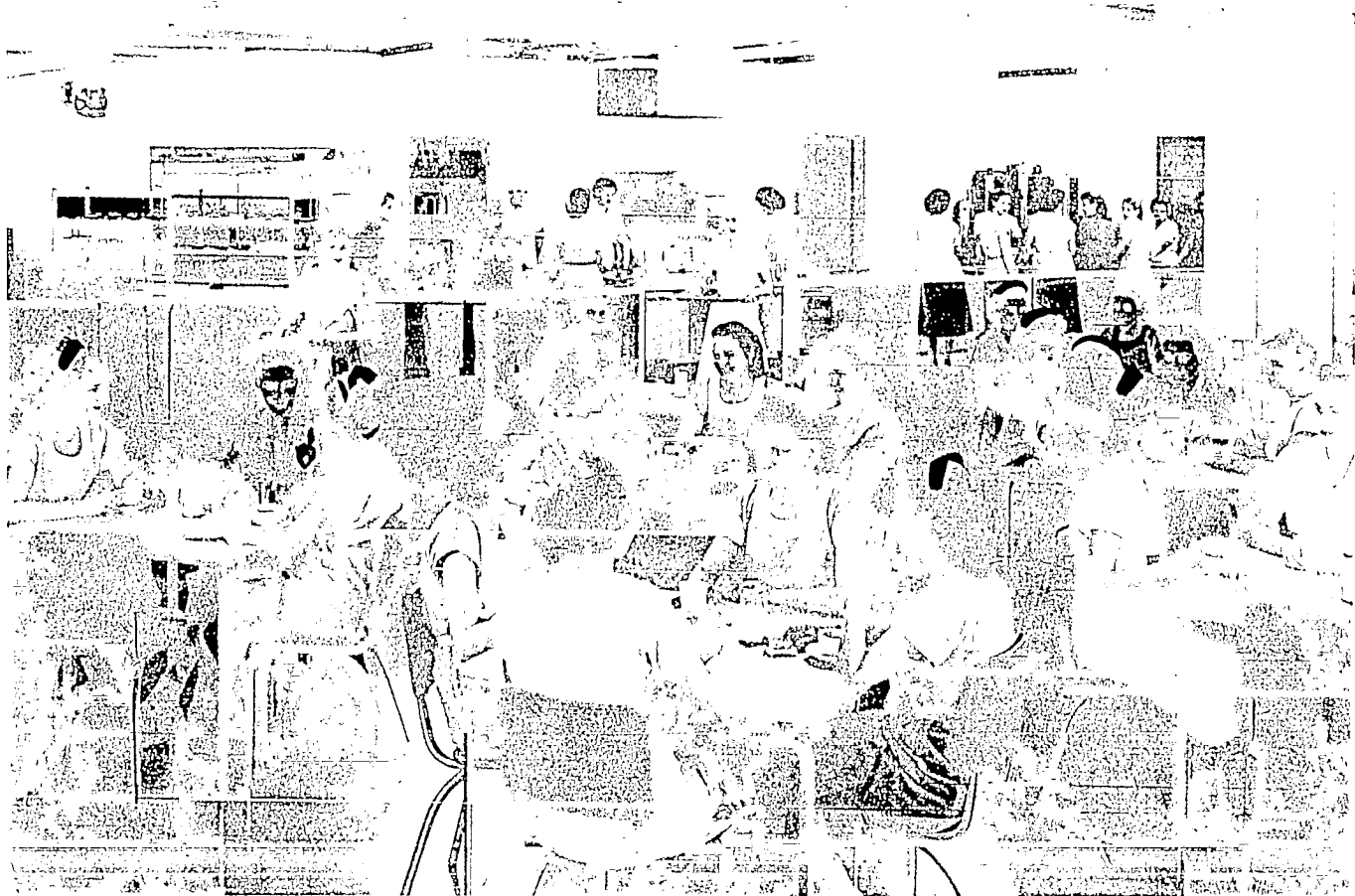
The sales training program, which was started in 1949 and is designed to develop our sales personnel and to increase their effectiveness, is progressing favorably.

The suggestion system, which encourages employees to give constructive thought to improving Company operations, helps to carry on the process of education. The growing influence of the system is shown by the improvement in the quality of the suggestions which are being submitted. During the four years of the system's existence 2,851 suggestions have been adopted and over \$61,000 has been awarded to employees.

Our present absentee rate is low and

[Continued on page 19]

Modern cafeterias in Nabisco bakeries offer good food at low prices, in clean, cheerful surroundings





The Director of Home Economics discusses a problem with a member of the staff. In these busy kitchens new recipes are developed and tested with the aid of the latest and most efficient equipment.

These Gleaming NABISCO TEST KITCHENS *Develop New Uses for Our Products*

HERE'S where all those tasty consumer and institutional recipes and menus come from . . . the modern, efficient Nabisco Test Kitchens located in the New York City General Office Building.

Whether it's a newspaper women's page on new summer desserts . . . a booklet of Lenten menus featuring Holland Rusk . . . a list of Halloween party suggestions for Old Fashion Ginger Snaps . . . a trayful of Triscuit Shredded Whole Wheat Wafers canapes for an advertisement . . . or a shortcut recipe for Nabisco Graham Cracker pie — whatever the problem, the Nabisco Test Kitchens are always busy finding new uses for Nabisco products. Always there, helping the millions of housewives faced with the problem of preparing three interesting meals a day for their families.

Yes, the Nabisco Test Kitchens are ever at work building new markets for National Biscuit Company products . . . building good public relations for the Company.



This easy way to shape Nabisco Graham Cracker pie crust was originated in the Test Kitchens.

Recipes You'll Like

"Cheese Dip" Mixture

2 3-oz. packages cream cheese 1 tablespoon chopped chives
2 1¼-oz. packages blue cheese Milk or cream

Thoroughly blend together the cream and blue cheeses and chives. Add sufficient milk or cream to make mixture a mayonnaise consistency. Place in large serving dish and accompany with COCKTAILERS CRACKERS, TRIANGLE THINS, PRETZELETES, and SLIM JANE PRETZEL STICKS.

On large tray also serve additional cheeses with TRISCUIT SHREDDED WHOLE WHEAT WAFERS, RITZ CRACKERS, and PREMIUM SALTINE CRACKERS.



"Cheese Dip" Mixture

Cheese Rarebit

2 tablespoons butter or margarine	¼ teaspoon Worcestershire sauce
2 teaspoons flour	1 cup milk
¼ teaspoon salt	1 lb. (4 cups) grated sharp cheese
Few grains cayenne	
1 teaspoon dry mustard	12 HOLLAND RUSK

Melt butter or margarine in top of double boiler over boiling water. Blend in flour, salt, cayenne, mustard and Worcestershire sauce. Gradually add milk. Cook over hot water, stirring occasionally, until mixture thickens. While sauce cooks, grate cheese and set aside. Add cheese to sauce, stir until cheese is melted. Place a HOLLAND RUSK in center of each of 4 individual serving plates. Pour rarebit over rusks. Garnish with remaining HOLLAND RUSK cut in halves. Serves 4.



Cheese Rarebit

Quick Lemon Meringue Pie

CRUST:

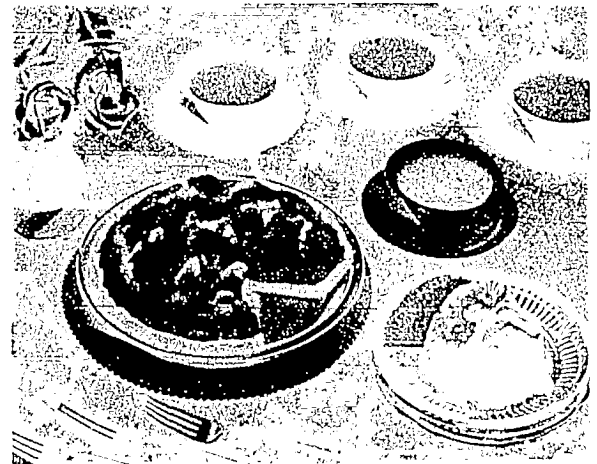
16 NABISCO SUGAR HONEY GRAHAM CRACKERS,
finely rolled (1½ cups crumbs)
¼ cup softened butter or margarine
¼ cup sugar

Blend together NABISCO SUGAR HONEY GRAHAM CRACKER crumbs, softened butter or margarine and sugar. Pour mixture into 8-inch pie plate; firmly press into an even layer against bottom and sides of plate. Bake in moderately hot oven (375° F.) about 8 minutes. Cool and fill.

FILLING:

1 can sweetened condensed milk	Grated rind of 1 lemon
½ cup lemon juice	2 eggs, separated
	2 tablespoons sugar

Blend together sweetened condensed milk, lemon juice, lemon rind and egg yolks. Pour into NABISCO SUGAR HONEY GRAHAM CRACKER crumb crust. Beat egg whites stiff but not dry; gradually add sugar, beating constantly. Pile lightly on top of pie filling. Bake in very hot oven (425° F.) 5 minutes. Chill thoroughly before serving.



Quick Lemon Meringue Pie

Cinnamon Ice Cream

1 quart vanilla ice cream	ANNIVERSARY ASSORTMENT
1 pint chocolate ice cream	NABISCO SUGAR WAFERS
1 teaspoon cinnamon	OREO CREME SANDWICHES

Put ice creams and cinnamon in mixing bowl. Blend quickly until chocolate and vanilla ice creams form marbled pattern. Pile into ice-cube tray and freeze until firm. Accompany with ANNIVERSARY ASSORTMENT, NABISCO SUGAR WAFERS and OREO CREME SANDWICHES. Serves 6 to 8.



Cinnamon Ice Cream



Famous Chocolate Wafer Roll

Famous Chocolate Wafer Roll

1 cup heavy cream Few drops peppermint extract
2 teaspoons sugar Food coloring, if desired

23 FAMOUS CHOCOLATE WAFERS

Whip cream stiff; add sugar, flavoring and food coloring. Spread whipped cream between FAMOUS CHOCOLATE WAFERS, standing cookies upright in a long row on platter so that cookies and whipped cream alternate. Spread outside of loaf with remaining cream. Chill in refrigerator 2 to 3 hours. Garnish with shaved chocolate. To serve, slice diagonally about 1-inch thick. Serves 6.

labor turnover is likewise low, with over 36% of our employees having service records of over 10 years.

Our employee benefit schedule now includes the plan we announced last year, providing benefits for non-occupational injury and illness; the group life insurance program, in effect since 1925; and the pension plan which was formalized in 1946.

Employees are protected in the event of injury, illness, death, dismemberment, hospitalization, medical and surgical care, and permanent and total disability; and are provided with an income upon retirement, in accordance with the provisions of these plans.

The new benefit plan disbursed over \$1.3 million during 1950, its first year, for weekly indemnity and accidental death to

employees, and hospital, medical and surgical benefits to both employees and dependents. The entire cost is borne by the Company.

Under the group life insurance plan \$500,000 was paid during 1950 in death, and permanent and total disability cases. A total of \$8.5 million has been paid since 1925.

The Company paid as pensions during the year \$1.1 million and there were 1,637 pensioners on the roll at the close of the year. In addition the Company's expense for contributions to Federal old-age and survivors insurance amounted to \$1.1 million during the year 1950.

The safety program continues to act effectively in controlling both industrial and motor vehicle accidents. Emphasis has also

Stockholders talking with President George H. Coppers at close of Annual Meeting held in April 1950

11 Year Comparison of Earnings and Dividends per Share of Common Stock

14 year comparison of Percentage of Net Earnings to Net Sales

11 Year Comparison of Net Working Capital and Book Value of Common Stock

11 Year Comparison of Number of Employees



been placed upon the importance of taking the safety idea into the home, where more injuries are sustained than in industry.

At the close of 1950 we had 30,073 employees. The total cost of all employees' services for the year was \$100.9 million.

We believe we have been successful in drawing the organization closer together so that each employee, whatever his job may be, knows that he has an important part in the success of the Company. Our plans include measures designed to strengthen this feeling, through a better understanding of business in general and the Company's problems in particular.

STOCKHOLDERS:

As we mentioned earlier in this report, stockholders supply the money to buy the tools of production. The stockholders in our Company have supplied about \$5,000 to create a job for each of our 30,073 employees. They have put up the money to buy the land, buildings, machines, furniture, motor vehicles, materials and supplies needed to keep all of us working.

There are 63,871 Nabisco stockholders. Those owning common stock hold an average of 105 shares. Over 50% are women, and there are many insurance companies, banks, educational and other institutions holding our preferred and common stocks.

MANAGEMENT:

As reported in prior years, it is our policy to have employees in training at all supervisory levels. Able leadership is essential to the success of the enterprise. It is also our



LEE S. BICKMORE
Vice President, Sales

policy to promote from within the Company except in cases where people with specialized training are needed and are not available from within the organization.

Our executive development program is continuing so that competent managerial replacements will always be available.

During 1950 the following changes were made in our management organization:

Warren S. Warner, Vice President for Sales, retired because of ill health on March 1, 1950. Mr. Warner had been continuously in the employ of the Company since 1913.

Lee S. Bickmore was elected Vice President for Sales on June 19, 1950. Mr. Bickmore has been employed by the Company since 1933.

FARMERS AND SUPPLIERS:

NABISCO buys supplies and services from over 9,000 other businesses. Thus the prosperity and success of our Company affect numerous other organizations and their employees.

We are dependent on our suppliers, and their prosperity is tightly tied up with our own. Generally, as their cost of doing business changes, our cost of doing business changes also.

We use annually vast quantities of the products of the farmer, including over 20 million bushels of wheat, 100 million pounds of shortening, 100 million pounds of sugar, 5 million pounds of eggs, 7 million pounds of

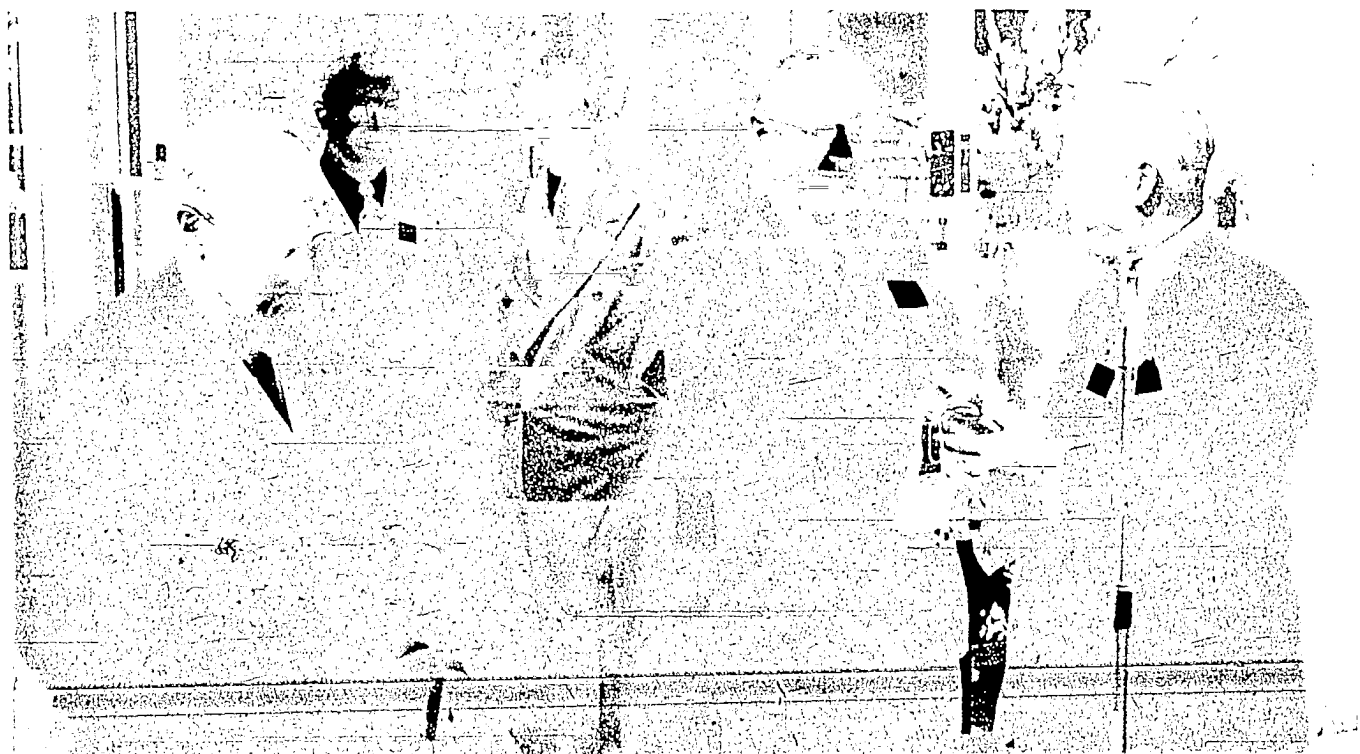
milk, and numerous other farm products. The farmer is our most important supplier and we are important to him as marketers of his products in the form of appetizing and nutritious foods.

The interdependence between one business and thousands of others is typical of our economy and our way of life. The ability to make a profit by supplying good products and good services is the incentive that continuously improves our living standards and creates jobs.

RETAILERS AND CONSUMERS:

The retail food store operator has made phenomenal progress in the past decade in bringing the products of the farm and of

At formal dedication of new Christie, Brown bakery in Toronto, Honorable Leslie M. Frost (front center), Premier of Ontario, receives gift from Stanley H. Young, President of Christie's. From left to right, Charles E. Edmonds, Christie's Board Chairman, George St. L. McCall, a Vice President of Christie's, and Honorable Major J. W. Foote, V.C., Cabinet Minister, Province of Ontario.



grocery manufacturers to the consumer.

The great variety and attractiveness of modern food store displays are miracles brought about by present-day merchandising methods.

The consumer now has available a choice of quality products undreamed of at the start of this century.

NABISCO's products have had a prominent place in the progress of grocery store merchandising over the last fifty years. We have spanned the period from the age of the cracker barrel to today's fully protected, moisture-proof packages containing a wide variety of biscuit and cracker products. During the year 1950 over two billion retail units of our goods were sold to consumers, which indicates the wide acceptance of Nabisco products by the public.

Our Plans

Food processors have more than the usual businessman's obligation to the public. Daily it becomes more obvious that nutrition is the most important single factor in health. The science of nutrition has made great strides in the recent past. It will make

greater strides in the immediate future.

NABISCO intends to keep up with the parade, and it is our purpose to retain and increase our share of the consumer's favor.

Knowing that we are in a field that is moving fast, we are continuing to examine critically all phases of our business. We are not satisfied but are constantly trying to find new ways to better every activity and operation.

We anticipate a continuation of the high level of sales volume we have been enjoying. There is every evidence that the per capita consumption of biscuits and crackers has permanently expanded and we believe further expansion is possible.

With our constant close attention to the improvement of our products and packages, our manufacturing facilities, our sales and distribution methods, and finally of our personnel at all levels, we think we are prepared to meet successfully the challenge to management which is inherent in the present situation.



PRESIDENT

SUMMARY OF OPERATIONS — 1950

We received from sale of our products \$296,408,934

We expended for:

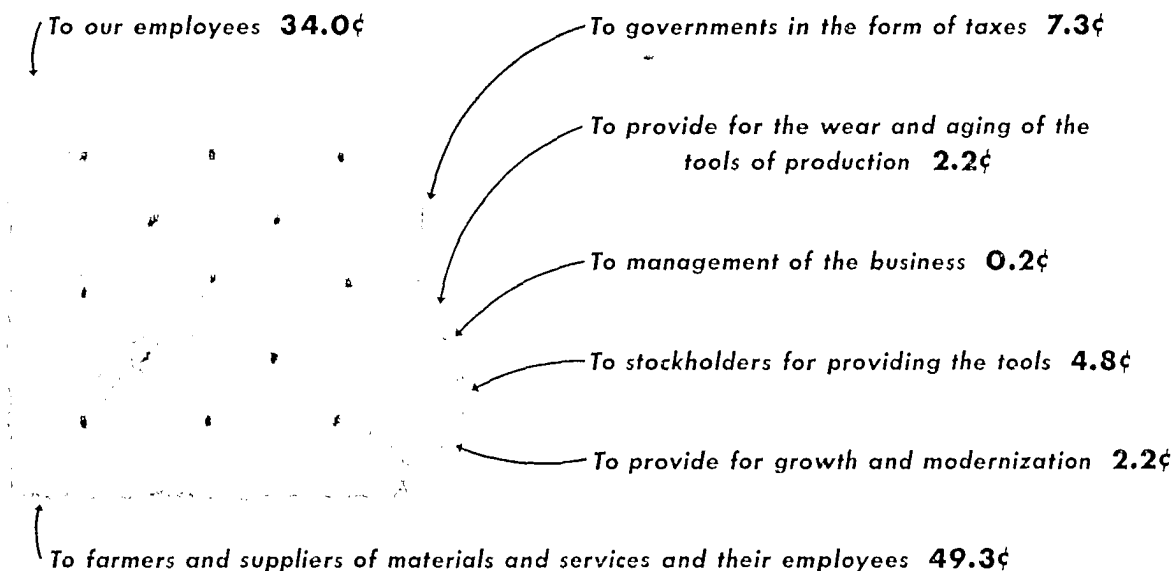
Raw materials, supplies and services bought from others	\$145,951,443
Employees' services (wages, pensions, social security taxes, etc.) .	100,870,575
Direct taxes, except social security taxes	21,756,920
Estimated wear and tear on plant and equipment	6,425,692
Loss on sale of assets not needed to produce income	67,893
Officers' salaries for management of the business	<u>627,895</u>

Leaving profits†, representing the cost of using the tools of production (plant and equipment), which were:

Distributed as dividends to the stockholders	\$ 14,315,211
Retained in the business for expansion and modernization . . .	<u>6,393,305</u>

†National Biscuit Company also received \$401,915 for activities not related to the manufacture or sale of its products.

Each Nabisco Sales Dollar Produced Income:



CONSOLIDATED

ASSETS

	December 31, 1950	December 31, 1949
Cash	\$ 12,152,364	\$ 12,059,845
U. S. Government securities	34,145,000	34,123,000
(Approximately equal to amounts at market quotations)		
Note: \$700,000 principal amount deposited as collateral for notes payable by Canadian subsidiary; \$745,000 deposited to comply with workmen's compensation requirements.		
Accounts receivable	8,181,022	6,409,398
Raw materials and supplies (NOTE 1)	29,572,414	27,806,906
Finished product (NOTE 1)	10,553,890	9,224,927
Total current assets	94,604,690	89,624,076
Investment in foreign subsidiary, not consolidated .	900,000	—
Miscellaneous investments	148,612	307,665
Plants, real estate, machinery and equipment . . (NOTE 2)	86,421,201	81,795,119
Prepaid expenses and deferred charges	1,372,384	1,569,633
Total	<u>\$183,446,887</u>	<u>\$173,296,493</u>

(For comparative purposes, certain assets previously reported for 1949 have been reclassified)

BALANCE SHEET

LIABILITIES

	December 31, 1950	December 31, 1949
Notes payable to banks (foreign)	\$ 1,385,000	\$ 1,620,000
Accounts payable	12,103,813	10,696,810
(Purchase invoices, payrolls and other accruals not due for payment)		
Common dividend, payable January 15, 1951	3,144,724	5,031,558
Reserve for federal and foreign taxes on income	18,681,647	14,611,642
Total current liabilities	35,315,184	31,960,010

CAPITAL

Capital stock, preferred	24,804,500	24,804,500
(Par value \$100 - 7% cumulative, noncallable) Shares authorized 250,000, issued 248,045		
Capital stock, common	62,894,480	62,894,480
(Par value \$10) Shares authorized 12,000,000, issued 6,289,448		
Retained earnings:		
Appropriated:		
Insurance and contingent reserve	3,726,188	3,726,188
Reserve for high-cost plant additions	12,000,000	12,000,000
Inventory reserve	5,000,000	5,000,000
Unappropriated	39,706,535	32,911,315
Total	\$183,446,887	\$173,296,493

(Notes to the financial statements appear on page 27)

CONSOLIDATED INCOME & UNAPPROPRIATED RETAINED EARNINGS

	1950	1949
Net sales	\$296,408,934	\$294,420,391
Cost of sales	187,669,827	191,744,716
Selling, general and administrative expenses	57,210,308	56,049,528
Depreciation	6,425,692	5,548,898
Taxes (other than federal and foreign taxes on income)	5,980,439	5,017,349
	<u>257,286,266</u>	<u>258,360,491</u>
Income from operations	39,122,668	36,059,900
Interest and miscellaneous income (net)	401,915	370,466
	<u>39,524,583</u>	<u>36,430,366</u>
Loss on disposal of fixed assets	67,893	89,533
	<u>39,456,690</u>	<u>36,340,833</u>
Provision for federal and foreign taxes on income (including \$1,045,000 federal excess profits tax for 1950)	18,346,259	14,663,930
Net income for the year (NOTES 1 AND 3)	21,110,431	21,676,903
Unappropriated retained earnings January 1	32,911,315	25,549,623
	<u>54,021,746</u>	<u>47,226,526</u>
Preferred dividends	1,736,315	1,736,315
Common dividends	12,578,896	12,578,896
	<u>14,315,211</u>	<u>14,315,211</u>
Unappropriated retained earnings December 31.	<u>\$ 39,706,535</u>	<u>\$ 32,911,315</u>

(Notes to the financial statements appear on page 27)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Inventories of raw materials, supplies and finished product are carried in the balance sheet at cost or market, whichever is lower. The basis for computing the cost of certain commodities was changed during 1950 to the last-in, first-out (LIFO) method, with the result that inventory amounts at December 31, 1950, are \$1,210,000 less than they would have been if determined under the prior method. This change reduced net income for 1950 approximately \$520,000 after consideration of the related reduction in federal taxes on income.

NOTE 2. Plants, real estate, machinery and equipment comprise:

Cost of properties owned:	1950	1949
Land	\$ 8,557,141	\$ 8,772,369
Buildings	65,430,525	63,095,511
Machinery and equipment	69,604,314	64,467,820
Total	143,591,980	136,335,700
Less, allowances for depreciation	57,170,779	54,540,581
	<u>\$ 86,421,201</u>	<u>\$ 81,795,119</u>

NOTE 3. Due to changes in the dates on which vacations accrued, two years' vacation expense was charged to operations for the year 1949. The additional year's expense reduced net income for 1949 by approximately \$2,000,000, after consideration of the related reduction in federal taxes on income. Only one year's vacation expense has been charged to operations for the year 1950.

NOTE 4. The financial statements for 1950 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the four consolidated foreign subsidiaries: net current assets and deferred charges, \$1,751,676; net fixed assets, \$9,275,082; and net income, \$1,304,848.

REPORT OF AUDITORS

TO THE STOCKHOLDERS OF

NATIONAL BISCUIT COMPANY, NEW YORK, N. Y.

We have examined the consolidated balance sheet of National Biscuit Company and its wholly owned subsidiaries as of December 31, 1950, and the related consolidated statement of income and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and unappropriated retained earnings present fairly the consolidated financial position of National Biscuit Company and its wholly owned subsidiaries at December 31, 1950, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which we approve, in the method of computing the cost of certain inventory commodities explained in NOTE 1) with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N. Y.

February 5, 1951

CONDENSED TWELVE-YEAR STATEMENT

(All amounts are as of December 31 of each year)

WORKING CAPITAL:	<u>1950</u>	<u>1949</u>	<u>1948</u>	<u>1947</u>
Current assets:				
Cash and government securities	\$ 46,297	\$ 46,183	\$ 44,548	\$ 46,884
Accounts receivable	8,181	6,409	7,217	6,830
Raw materials, supplies and finished product	<u>40,126</u>	<u>37,032</u>	<u>39,668</u>	<u>43,082</u>
Total current assets	<u>94,604</u>	<u>89,624</u>	<u>91,433</u>	<u>96,796</u>
Current liabilities:				
Notes payable to banks (foreign)	1,385	1,620		
Accounts payable	12,104	10,697	8,645	6,842
Common dividends payable	3,145	5,032	5,032	5,032
Reserve for federal and foreign taxes on income	<u>18,681</u>	<u>14,611</u>	<u>14,188</u>	<u>16,926</u>
Total current liabilities	<u>35,315</u>	<u>31,960</u>	<u>27,865</u>	<u>28,800</u>
Working capital	59,289	57,664	63,568	67,996
PLANTS, REAL ESTATE, MACHINERY AND EQUIPMENT (net)	86,421	81,795	67,350	54,938
MISCELLANEOUS INVESTMENTS, OTHER ASSETS AND PREPAID EXPENSES AND DEFERRED CHARGES	<u>2,421</u>	<u>1,877</u>	<u>3,051</u>	<u>2,579</u>
Net assets	148,131	141,336	133,969	125,513
PREFERRED STOCK	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>
Book value of common stock	<u>\$123,326</u>	<u>\$116,531</u>	<u>\$109,164</u>	<u>\$100,708</u>

Book value of common stock for years prior to 1944 has been stated at amounts exclusive of intangible assets then carried on the books. Similarly, "Plants, real estate, machinery and equipment" has been restated for years prior to 1944 to reflect tangible assets only. The write-off of intangible assets was completed in 1944.

"Raw materials, supplies and finished product" has been restated for years prior to 1946 by adding back the inventory reserve of \$1,019,381, which in the reports for those years was shown as a deduction therefrom.

OF CONSOLIDATED ASSETS & LIABILITIES

(All figures expressed in thousands of dollars except footnotes)

<u>1946</u>	<u>1945</u>	<u>1944</u>	<u>1943</u>	<u>1942</u>	<u>1941</u>	<u>1940</u>	<u>1939</u>
\$ 43,027	\$ 47,382	\$ 41,056	\$ 31,191	\$ 30,310	\$ 31,001	\$ 33,618	\$ 30,708
6,712	4,723	6,131	6,503	7,367	3,520	2,920	2,462
<u>34,549</u>	<u>27,052</u>	<u>25,956</u>	<u>26,668</u>	<u>20,584</u>	<u>15,326</u>	<u>10,234</u>	<u>10,501</u>
<u>84,288</u>	<u>79,157</u>	<u>73,143</u>	<u>64,362</u>	<u>58,261</u>	<u>49,847</u>	<u>46,772</u>	<u>43,671</u>
6,292	5,525	5,074	4,797	3,740	2,622	2,171	2,029
1,887	1,887	1,887	1,887	1,887	2,516	2,516	
<u>13,521</u>	<u>19,807</u>	<u>23,215</u>	<u>16,728</u>	<u>15,963</u>	<u>9,593</u>	<u>6,428</u>	<u>4,826</u>
<u>21,700</u>	<u>27,219</u>	<u>30,176</u>	<u>23,412</u>	<u>21,590</u>	<u>14,731</u>	<u>11,115</u>	<u>6,855</u>
62,588	51,938	42,967	40,950	36,671	35,116	35,657	36,816
52,246	52,563	57,933	60,132	63,632	65,360	65,693	64,767
<u>2,091</u>	<u>1,757</u>	<u>4,136</u>	<u>2,560</u>	<u>1,869</u>	<u>993</u>	<u>1,103</u>	<u>1,483</u>
116,925	106,258	105,036	103,642	102,172	101,469	102,453	103,066
<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>	<u>24,805</u>
<u>\$ 92,120</u>	<u>\$ 81,453</u>	<u>\$ 80,231</u>	<u>\$ 78,837</u>	<u>\$ 77,367</u>	<u>\$ 76,664</u>	<u>\$ 77,648</u>	<u>\$ 78,261</u>

The annual "Net income" less "Dividends declared" amounts shown in the accompanying "Condensed Twelve-Year Statement of Consolidated Income and Other Statistics" do not exactly account for the yearly changes in "Book value of common stock" indicated above because of net reserve additions aggregating approximately \$1,020,000 over the twelve-year period.

CONDENSED TWELVE-YEAR STATEMENT OF

(All amounts are expressed in thousands of dollars)

	1950	1949	1948	1947
REVENUE:				
Net sales	\$296,409	\$294,420	\$296,250	\$263,894
Interest and miscellaneous income (net)	402	371	1,675†	327
Total	<u>296,811</u>	<u>294,791</u>	<u>297,925</u>	<u>264,221</u>
EXPENSES:				
Cost of sales	187,670	191,745	200,974	172,011
Selling, general and administrative expenses	57,211	56,050	51,489	45,524
Depreciation	6,426	5,549	4,227	3,809
Taxes (other than federal and foreign taxes on income)	5,980	5,017	4,628	4,823
Miscellaneous	68	89	82	101
Provision for federal and foreign taxes on income	18,346	14,664	13,811	15,051
Total	<u>275,701</u>	<u>273,114</u>	<u>275,211</u>	<u>241,319</u>
Net income	<u>\$ 21,110</u>	<u>\$ 21,677</u>	<u>\$ 22,714†</u>	<u>\$ 22,902</u>
DIVIDENDS DECLARED:				
Preferred	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736
Common	12,579	12,579	12,579	12,579
EXPENSE STATISTICS:				
Cost of employees' services	\$100,871	\$101,391	\$ 93,981	\$ 79,596
Taxes (except social security taxes)	21,757	17,831	16,795	18,127
PER SHARE STATISTICS: (per share of common stock)				
Net income	\$ 3.08	\$ 3.17	\$ 3.33†	\$ 3.36
Dividends	2.00	2.00	2.00	2.00
Taxes (except social security taxes)	3.46	2.84	2.67	2.88
OTHER STATISTICS:				
Number of stockholders	63,871	64,579	65,753	65,441
Number of employees	30,073	31,109	31,402	29,128

† Includes extraordinary income of \$1,400,000 equal to 22 cents per share of common stock

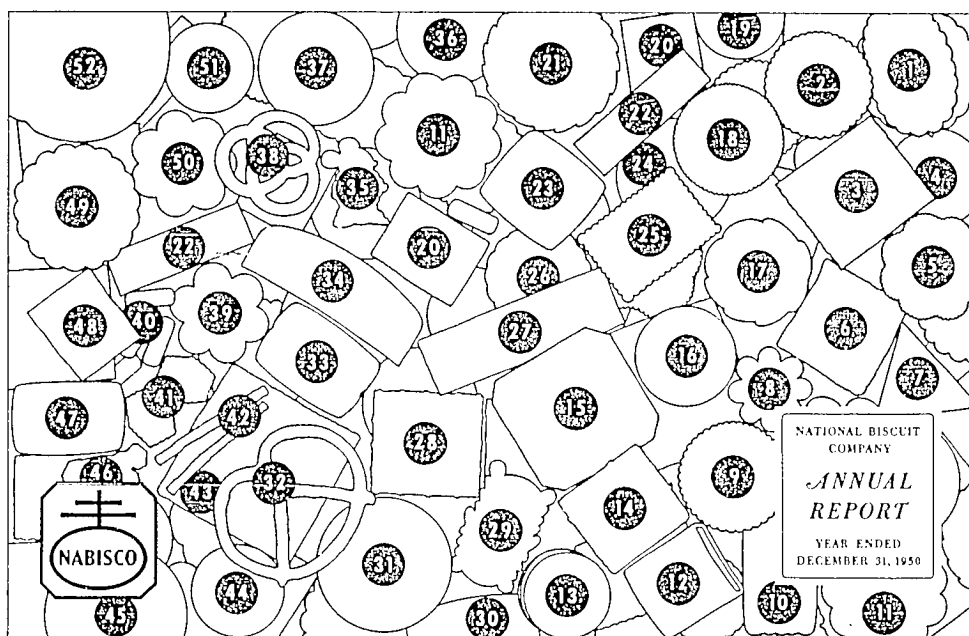
CONSOLIDATED INCOME & OTHER STATISTICS

(except per share figures, other statistics and footnote)

1946	1945	1944	1943	1942	1941	1940	1939
\$220,195	\$204,995	\$205,273	\$183,027	\$154,759	\$110,785	\$96,150	\$90,966
2,818†	413	354	335	230	173	143	188
<u>223,013</u>	<u>205,408</u>	<u>205,627</u>	<u>183,362</u>	<u>154,989</u>	<u>110,958</u>	<u>96,293</u>	<u>91,154</u>
145,019	132,786	133,228	117,984	93,031	59,927	44,505	39,979
38,858	35,487	34,714	33,007	30,314	25,090	29,093	28,723
3,583	3,456	3,321	3,279	3,310	3,250	3,167	3,067
4,053	4,356	4,798	4,086	3,859	3,479	3,256	3,521
159	2,371	197	199	193	168	347	106
<u>11,686</u>	<u>16,444</u>	<u>18,890</u>	<u>14,210</u>	<u>13,857</u>	<u>8,312</u>	<u>4,776</u>	<u>3,424</u>
<u>203,358</u>	<u>194,900</u>	<u>195,148</u>	<u>172,765</u>	<u>144,564</u>	<u>100,226</u>	<u>85,144</u>	<u>78,820</u>
<u>\$ 19,655†</u>	<u>\$ 10,508</u>	<u>\$ 10,479</u>	<u>\$ 10,597</u>	<u>\$ 10,425</u>	<u>\$ 10,732</u>	<u>\$11,149</u>	<u>\$12,334</u>
\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736	\$ 1,736
7,547	7,547	7,547	7,547	8,176	10,063	10,059	10,048
\$ 70,478	\$ 66,494	\$ 64,133	\$ 58,125	\$ 47,548	\$ 36,079	\$31,792	\$29,816
14,229	19,137	21,994	16,643	16,276	10,592	6,956	5,878
\$ 2.85†	\$ 1.39	\$ 1.39	\$ 1.41	\$ 1.38	\$ 1.43	\$ 1.50	\$ 1.68
1.20	1.20	1.20	1.20	1.30	1.60	1.60	1.60
2.26	3.04	3.50	2.65	2.59	1.68	1.11	.93
67,010	66,110	64,927	62,791	61,172	60,376	58,306	56,092
27,398	29,005	29,932	28,619	25,103	20,814	19,256	18,869

† in 1948 and \$2,492,685 equal to 40 cents per share of common stock in 1946.

Key to NABISCO COOKIES AND CRACKERS Shown on Covers



- | | |
|--|--|
| 1. National Arrowroot Biscuit | 27. Nabisco Waffle Creams |
| 2. Ritz Crackers | 28. Creamy Delights |
| 3. Premium Saltine Crackers | 29. Included in English Style Assorted Biscuit |
| 4. Included in English Style Assorted Biscuit | 30. Included in English Style Assorted Biscuit |
| 5. Included in Trio Creme Sandwich package | 31. Brown Edge Wafers |
| 6. Frutana Raisin Biscuit | 32. Salty-Twist Butter Pretzels |
| 7. Triangle Thins | 33. Included in Nabisco Anniversary Assortment |
| 8. Luxury Coconut Cookies | 34. Nabisco Zwieback |
| 9. Ritz Cheese Crackers | 35. Mickey Mouse Cookies |
| 10. Included in English Style Assorted Biscuit | 36. Nabisco Vanilla Wafers |
| 11. Nabisco Butter Flavored Cookies | 37. Nabisco Butter Thins |
| 12. Fig Newtons Cakes | 38. 3-Ring Pretzels |
| 13. Nabisco Marshmallow Sandwich | 39. Included in English Style Assorted Biscuit |
| 14. Triscuit Shredded Whole Wheat Wafers | 40. Cheese Tid-Bit Crackers |
| 15. Uneda Biscuit | 41. Oysterettes Soup and Oyster Crackers |
| 16. Mallomars Chocolate Cakes | 42. Veri-Thin Pretzel Sticks |
| 17. Adora Creme Sandwich | 43. Nabisco Graham Crackers |
| 18. Oreo Creme Sandwich | 44. Zu Zu Ginger Snaps |
| 19. Nabisco Chocolate Snaps | 45. Royal Lunch Milk Crackers |
| 20. Peanut Cream Patties | 46. Barnum's Animals Crackers |
| 21. Gaiety Creme Sandwich | 47. Included in English Style Assorted Biscuit |
| 22. Nabisco Sugar Wafers | 48. Nabisco Wheat Thins |
| 23. Lorna Doone Shortbread | 49. Melody Chocolate Cookies |
| 24. Old Fashion Ginger Snaps | 50. Included in English Style Assorted Biscuit |
| 25. Social Tea Biscuit | 51. Nabisco Lemon Snaps |
| 26. Included in Trio Creme Sandwich package | 52. Holland Rusk |

(Covers designed by Nabisco Advertising Department)

